

Long Beach's Financial/HR Systems

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**PROBLEMATIC
&
INCREASINGLY RISKY**



March 5, 2013

Much Financially That Is Good

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- Strong credit ratings
- National award for financial reporting
- Sophisticated financing
- Good financial advice
- Many financial issues solved
- Closing the structural budget gap

But..Financial/HR Core Systems Are Obsolete

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- **Crucial to operations, even though they are “behind the scenes”**
- **Without these systems, the City doesn’t run**

Financial/HR Core Systems

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- Accounting and financial reporting
- Budget development and management
- Purchasing
- Payables and receivables
- Fixed asset and inventory management
- Payroll & timekeeping
- Employee benefit management
- Recruiting & HR administration functions
- Position control and staffing management

Systems Were Never Current

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- Main financial systems are old 1970s technology
- HR systems are newer, but also obsolete
- Use mainframe – otherwise not needed
- Outdated programming language – few programmers
- Software maintenance is dependent on a few people
- Difficult to make changes
- Only allow entry of one side of two sided transactions
- Out of account numbers

Systems Create Operating Weaknesses

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- Do not meet needs for analysis, reporting, transparency, or functionality
- Inefficient with inadequate integration
- Supporting processes are outmoded, inefficient, and sometimes ineffective
- Require manual efforts and workaround systems
- Staff do not understand the systems well
- Controls in processes are sometimes too weak

Systems Pose An Increasing Risk

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- **Increasing potential for errors in operations and financial decisions**
 - Errors can occur because accounting structures are not good, easy to use, or well understood
- **Increasing risk of system failures**
 - Systems limitations and lack of knowledgeable staff will eventually prevent successful system changes to meet accounting, legal, or operational requirements

New Systems Will Address Issues

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- New, integrated financial and HR systems will address efficiency, reporting, control, transparency, and accounting structure issues
- New systems will minimize or eliminate risks
- Implementation will provide opportunity to train and improve staffing knowledge and skills
- New systems and associated staffing improvements will provide opportunity to “do it right”

An Approach for Successful Replacement

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- Design implementation process to address risk factors
- Take the needed time to implement and have the needed expertise
- Assign a top priority
- Appropriate staffing backfill and support
- An environment where implementation is exciting, worthwhile, and perceived that it will be successful

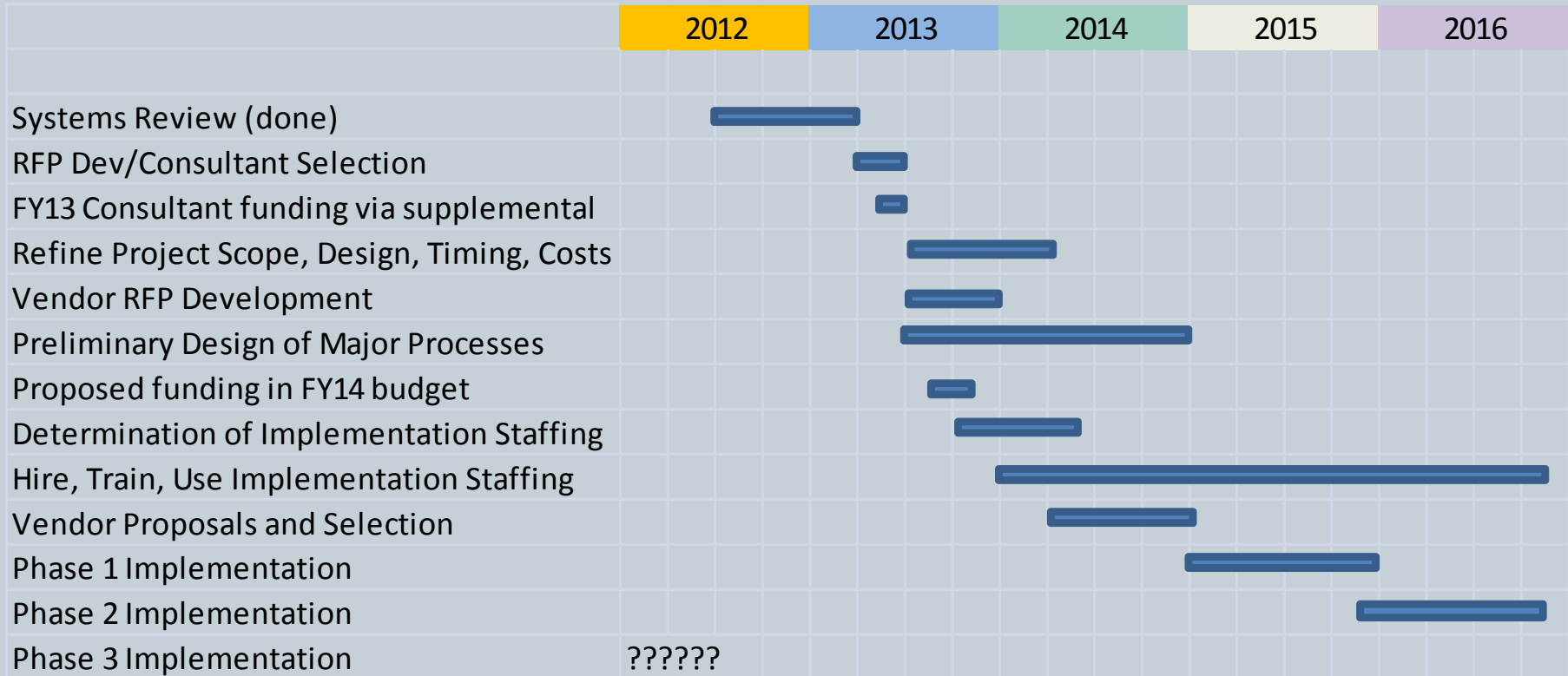
Timeframe Considerations

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- There is no timeframe problem – as long as the current progress is continued
- Long Beach CIS (a single system) – 24 months
- Sonoma County – 30 months, \$22 m for only financials, not including pre-implementation, RFP process, etc.
- Need time at beginning of process to review requirements and major processes, prepare an RFP, and backfill staff
- Long Beach has other system implementations underway and scheduled in 2013 and 2014

Preliminary Timeline

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Implementation Can Be Problematic

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- Financial/HR Systems are very complex and impact all operations of the City
- Many examples of implementations with cost overruns, major delays, and failure
- Avoid issues by addressing Long Beach risk factors

Long Beach Risk Factors

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- Complex and outdated processes and operations
- Lean staffing that focuses on trying to complete daily work - “just keeping the lights on”
- Limited remaining staff knowledge and expertise, with inadequate, or no, backup of key personnel – who are approaching retirement
- Competing priorities to potentially distract from funding, staffing, and good design decisions

10 Reasons For Implementation Problems

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1. Leadership not committed to implementation
2. Insufficient funding
3. Insufficient team resources
4. Making new system work like the old system (inappropriate customization)
5. Failure to make good, timely decisions
6. Lack of investment in change management
7. Insufficient training & support
8. Poor requirements definitions resulting in a poor software fit
9. Insufficient data cleansing during conversion
10. Lack of adequate testing during conversion

Source: ERP Focus, article by Richard Barker

Next Steps

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- Develop RFP for a pre-implementation consultant funded from the Technology (General) Services fund
- Pre-implementation award consideration by City Council this spring
- Pre-implementation work in FY13
- Request funding in the FY 14 proposed budget
- Funded from one-time resources: preliminary estimate of \$10 m from General Fund & \$20 m from other funds

Cost is equivalent to buying a computer, Quicken, and training for a household with a \$75,000 income

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